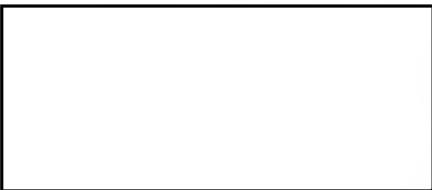


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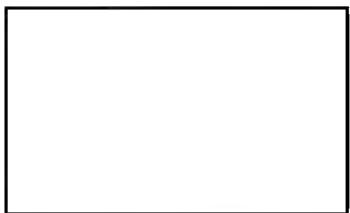
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ANNEX--Conclusions of the Watch Report of the Intelligence Advisory Committee [REDACTED]

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1. ZHUKOV REPORTEDLY ASSIGNED TO URAL
MILITARY DISTRICT

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An official communique on the final de-
cision in the Zhukov case will be issued
on 1 or 2 November,

[redacted] It will probably state

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that Zhukov has been removed from the party central committee
and presidium and has been relegated to a post in the Ural Mil-
itary District.

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[redacted] Khrushchev, at
the central committee meeting on Zhukov's future, said that
Stalin acted correctly in banishing Zhukov after World War II.

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If Khrushchev decides to engage in public
defamation of Zhukov's character, it is not unlikely that there
will be some manifestations of discontent in the army and in-
creased apathy and cynicism among the populace.

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[redacted] some members of the central committee
have advocated a further shake-up in the Soviet high command.



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4. CHINESE REPRESENTATION ISSUE AT THE NEW DELHI
RED CROSS CONFERENCE

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Prospects of getting a Chinese Nationalist delegation seated by the International Red Cross Conference in New Delhi--at which a Chinese Communist delegation

has already been seated--appear to have dimmed considerably since the session formally opened on 28 October. Chief US delegate McClintock, who previously warned that a showdown vote might be so close that it would be interpreted in the world press as the "beginning of a landslide toward eventual admission of Communist China to the UN," now estimates that any resolution specifically directed at seating the Nationalists is almost certain to be defeated. He still holds out some hope for admitting the Nationalists through a purely procedural resolution, but even this faces opposition from the Indian chairwoman.

The Red Cross conference in Toronto in 1952 resolved a similar dispute by seating both rival government delegations. The position of the Chinese Nationalists, however, has been seriously weakened this time by their long delay in rejecting an invitation addressed to them last May as the "Government of Formosa."

The Chinese Communists in recent years have insisted that there could be no further application of the "two Chinas" concept in resolving representation issues in international events. If the Nationalists are eventually seated, the Chinese Communists will walk out.

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5. JAPAN APPROVES CREDIT EXTENSION TO INDIA

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The Japanese cabinet has approved yen credits, estimated at between \$30,000,000 and \$50,000,000, to finance Japanese exports to India, the American embassy in Tokyo reports. The action followed discussions between Prime Ministers Kishi and Nehru during the latter's visit to Japan early in October. The Japanese finance minister had initially opposed the plan as one which Japan could not afford.

A mission of Indian experts is scheduled to go to Tokyo shortly to negotiate details. Actual terms have not been determined, but the Japan Export-Import Bank, a government institution, probably will finance the exports at an interest rate of 4-5 percent.

In addition to this governmental action, a mission of Japanese textile machinery manufacturers has concluded an agreement with the Indian State Trading Corporation for a long-term credit under which India will import textile machinery from Japan on a deferred-payment basis. The amount of credit was not announced.

These offers derive from the Japanese program to improve economic cooperation with South and Southeast Asia. India has been led to accept Japan's offer because of its critical foreign exchange problem and its needs in connection with the Second Five-Year Plan goals. Other discussions are expected on a long-term agreement for the exchange of Indian iron ore and Japanese capital goods.

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6. PRESIDENT SUKARNO POSTPONES TOUR ABROAD TO DEAL WITH DOMESTIC PROBLEMS

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President Sukarno has postponed his long-planned trip to southern Asia and Latin America until late December to deal with the "unsettled conditions" in Indonesia. He is probably particularly anxious to continue his personal direction of the government's current campaign for the "return" of Netherlands New Guinea. According to the minister of information, the second stage of action for the "liberation of West Irian" will begin on 10 November and will be "executed more fiercely." A Foreign Ministry official has stated that action taken so far is only the "expression of sentiments living among the people, executed in a democratic way!"

Sukarno undoubtedly hopes this campaign will demonstrate to the world and to the United Nations the intensity of Indonesia's demand for New Guinea. His continuing demand for national unity, however, indicates that he also regards the New Guinea campaign as an important weapon against provincial dissidence.

There have as yet been no significant reactions from the provinces. Some support for the New Guinea campaign may develop outside Java, particularly in East Indonesia because of its geographic proximity to the disputed territory. In general, however, dissident leaders can be expected to give only lip service to the matter and to refuse to be deflected from their own demands for greater local autonomy.

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7. SYRIAN INTERNAL SITUATION

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[Redacted]

Divisive tendencies in the Syrian government which have been in abeyance during the "Turkish crisis" may increase now that international tension appears to be subsiding.

A civilian faction reportedly including Socialist leader Hawrani, President Quwatli, and Prime Minister Assali want

to relax tension in order to regain full control of foreign policy from Army Chief of Intelligence Sarraj. The army itself is still split between the adherents of Sarraj and Assistant Chief of Staff Nafuri. At the present time the two groups are cooperating on the basis of an equal division of power. An army shake-up will probably occur when either leader feels he can oust the other.

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9. TUNISIAN-FRENCH RELATIONS

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New frictions are developing in Tunisian-French relations even though the Algerian-Tunisian border area remains quiet. Talks regarding the transfer of civil aviation

responsibilities to the Tunisian government, which began on 29 October, have not gone well; new French financial measures will raise the prices of consumer items and will probably cause popular discontent; and the chronic financial problem caused by the withholding of French credits is worsening.

French military units within Tunisia have become involved in incidents not calculated to improve relations. The French military recently turned over a barracks to the Tunisian army after smashing the windows and tearing out the plumbing.

Additional difficulties are probable as the French political crisis lengthens. Further friction is likely to result from the recent meeting in Tunis of the high command of the Algerian rebels. Bourguiba's tacit sponsorship of this meeting may not be offset by his public rebuke on 31 October to the Algerians for reiterating that France must recognize independence for Algeria before cease-fire negotiations are undertaken.

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10. FRENCH POLITICAL CRISIS

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Premier designate Gaillard, who will seek National Assembly approval on 5 November, is favored by the growing tendency in Paris to consider a minority government based on the small center parties, with some measure of support or at least benevolent abstention on the part of both Socialists and Independents.

Some Independents consider his economic philosophy preferable to that of the Socialists, but they have reservations about his youth, and fear that he would repeat Bourges-Maunoury's economic and Algerian programs. The Socialist decision to support Gaillard may buttress these fears. The statements of preliminary support issued by both Independents and Popular Republicans are so hedged that they are practically meaningless.

Although the French public is not yet aware of the gravity of French finances, this situation may have increasing influence in the assembly's decision. Payment of France's October European Payments Union debt will virtually wipe out the convertible currency account in the Exchange Stabilization Fund, and, without external aid, gold reserves, already down to almost \$500,000,000, will be further reduced in December.

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ANNEX

**Watch Report 378, 31 October 1957
of the
Intelligence Advisory Committee**

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee, the Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the orbit in the immediate future. Although Soviet statements have strongly implied that the USSR might intervene with its own forces in the event of a Turkish attack on Syria, available evidence indicates that the USSR has not made military preparations on the scale which would be anticipated for dealing with the broader contingencies resulting from such intervention.